

Agency: Commerce, Community and Economic Development**Grants to Municipalities (AS 37.05.315)****Grant Recipient: Ketchikan (City of)****Project Title:**

Ketchikan (City of) - Port of Ketchikan Berths I and II Replacement Project

State Funding Requested: \$ 21,200,000**House District: 1 - A**

One-Time Need

Brief Project Description:

Funding for Berth I and II Replacement Project in Ketchikan. Project will replace the existing wood commercial docks which are not longer economical to preserve or maintain.

Funding Plan:**Total Cost of Project: \$25,400,000**

	<u>Funding Secured</u>		<u>Other Pending Requests</u>		<u>Anticipated Future Need</u>	
	<i>Amount</i>	<i>FY</i>	<i>Amount</i>	<i>FY</i>	<i>Amount</i>	<i>FY</i>
Local Funds	\$4,200,000	08-09				
Total	\$4,200,000					

Detailed Project Description and Justification:

The Port of Ketchikan requests \$21,159,600 for immediate repairs, including design and contingency, for Commercial Berths I and II for the 2008 cruise ship season. The City of Ketchikan has already awarded a \$220,718 contract to PND, Inc. for design of the repairs. Once completed, the City can expect to spend in excess of \$1,000,000 in annual maintenance costs to preserve and maintain these wood docks. The estimated cost of replacement is \$21,159,600. The City of Ketchikan is seeking an appropriation from either the Commercial Passenger Tax Account or the Regional Cruise Ship Impact Fund to finance the cost of replacing Berths I and II.

Given the decline of the timber and fishing industries in Southeast Alaska, tourism has become the mainstay of Ketchikan's local economy. The City recently completed a \$39,340,000 expansion of its Port facilities to accommodate three Panamax class cruise ships and has entered into a thirty-year agreement with Ketchikan Dock Company, LLC for the construction and lease of a fourth berth. These projects are funded through the City's current passenger wharfage fee of \$7.00 for vessels at berth and \$4.00 for vessels that lighter passengers to the Port.

The structural deterioration of Berths I and II has become a critical issue for the community. These docks are essential to the continuing health of the local economy and must be replaced with modern and safe facilities. Continued preservation of the wood docks does not constitute a cost effective solution. The City has initiated plans to replace the wood docks following the 2009 cruise ship season with a goal of having them available for vessels by the beginning of the May 2010.

Effective December 17, 2006 the State of Alaska began imposing a \$46 commercial vessel passenger excise tax,

Total Project Snapshot Report

FY 2009 Capital Budget

TPS Report 48951

commonly referred to as the cruise ship "head tax". 75% of this passenger levy, or \$34.50 per person, is to be deposited in a Commercial Passenger Tax Account. 25% of this passenger levy, or \$11.50 per person, is to be deposited in a Regional Cruise Ship Impact Fund. Although the first five Ports of Call are to share the commercial vessel passenger tax, the Port of Ketchikan is ineligible to receive such funds due to its current passenger wharfage fee. As a result of debt service obligations and contractual leases for Berths III and IV, the Port of Ketchikan cannot forego assessing such fees. Consequently, the City of Ketchikan is seeking an appropriation of \$21,159,600 from unencumbered revenues of either the Commercial Passenger Tax Account or the Regional Cruise Ship Impact Fund to finance the cost of replacing Berths I and II. Alternatively, annual appropriations to fund the debt service associated with a thirty-year revenue bond to fund the cost of replacing the berths would be acceptable.

Project Timeline:

FY09-FY10

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

City of Ketchikan

Grant Recipient Contact Information:

Contact Name: Karl Amylon, Manager
Phone Number: (907) 228-5603
Address: 344 Front Street KTN, AK
Email: karla@city.ketchikan.ak.us

Has this project been through a public review process at the local level and is it a community priority? ☒ Yes ☐ No



THE COMMUNITY OF KETCHIKAN



Port of Ketchikan Berths I and II Replacement Project

FUNDING REQUEST	
REQUESTED	\$21,159,600
MATCHING/LOCAL	\$2,164,560
TOTAL	\$23,324,160

PROJECT SUMMARY:

The Port of Ketchikan was recently advised that an expenditure of \$2,164,560 is required for immediate repairs, including design and contingency, if Berths I and II are to be operated in a safe and fully accessible manner during the 2008 cruise ship season. The City of Ketchikan has already awarded a \$220,718 contract to PND, Inc. for design of the repairs. Once completed, the City can expect to spend in excess of \$1,000,000 in annual maintenance costs to preserve and maintain these wood docks. The estimated cost of replacement is \$21,159,600. The City of Ketchikan is seeking an appropriation from either the Commercial Passenger Tax Account or the Regional Cruise Ship Impact Fund to finance the cost of replacing Berths I and II.

PROJECT HISTORY/STATUS:

Given the decline of the timber and fishing industries in Southeast Alaska, tourism has become the mainstay of Ketchikan's local economy. The City recently completed a \$39,340,000 expansion of its Port facilities to accommodate three Panamax class cruise ships and has entered into a thirty-year agreement with Ketchikan Dock Company, LLC for the construction and lease of a fourth berth. These projects are funded through the City's current passenger wharfage fee of \$7.00 for vessels at berth and \$4.00 for vessels that lighter passengers to the Port.

The structural deterioration of Berths I and II has become a critical issue for the community. These docks are essential to the continuing health of the local economy and must be replaced with modern and safe facilities. Continued preservation of the wood docks does not constitute a cost effective solution. The City has initiated plans to replace the wood docks following the 2009 cruise ship season with a goal of having them available for vessels by the beginning of the May 2010.

PROJECT FUNDING REQUEST:

Effective December 17, 2006 the State of Alaska began imposing a \$46 commercial vessel passenger excise tax, commonly referred to as the cruise ship "head tax". 75% of this passenger levy, or \$34.50 per person, is to be deposited in a Commercial Passenger Tax Account. 25% of this passenger levy, or \$11.50 per person, is to be deposited in a Regional Cruise Ship Impact Fund. Although the first five Ports of Call are to share the commercial vessel passenger tax, the Port of Ketchikan is ineligible to receive such funds due to its current passenger

(Continued on page 16)

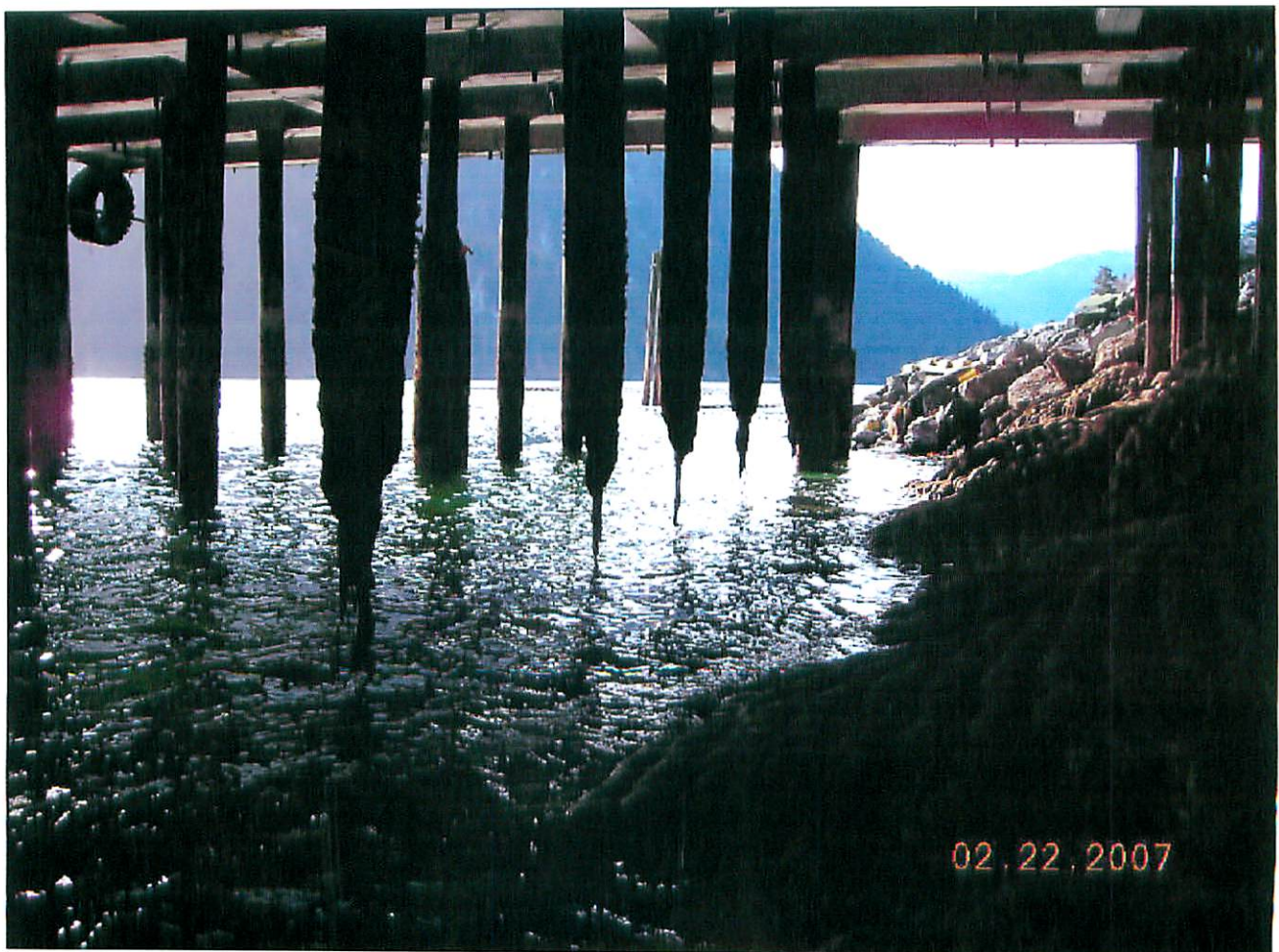


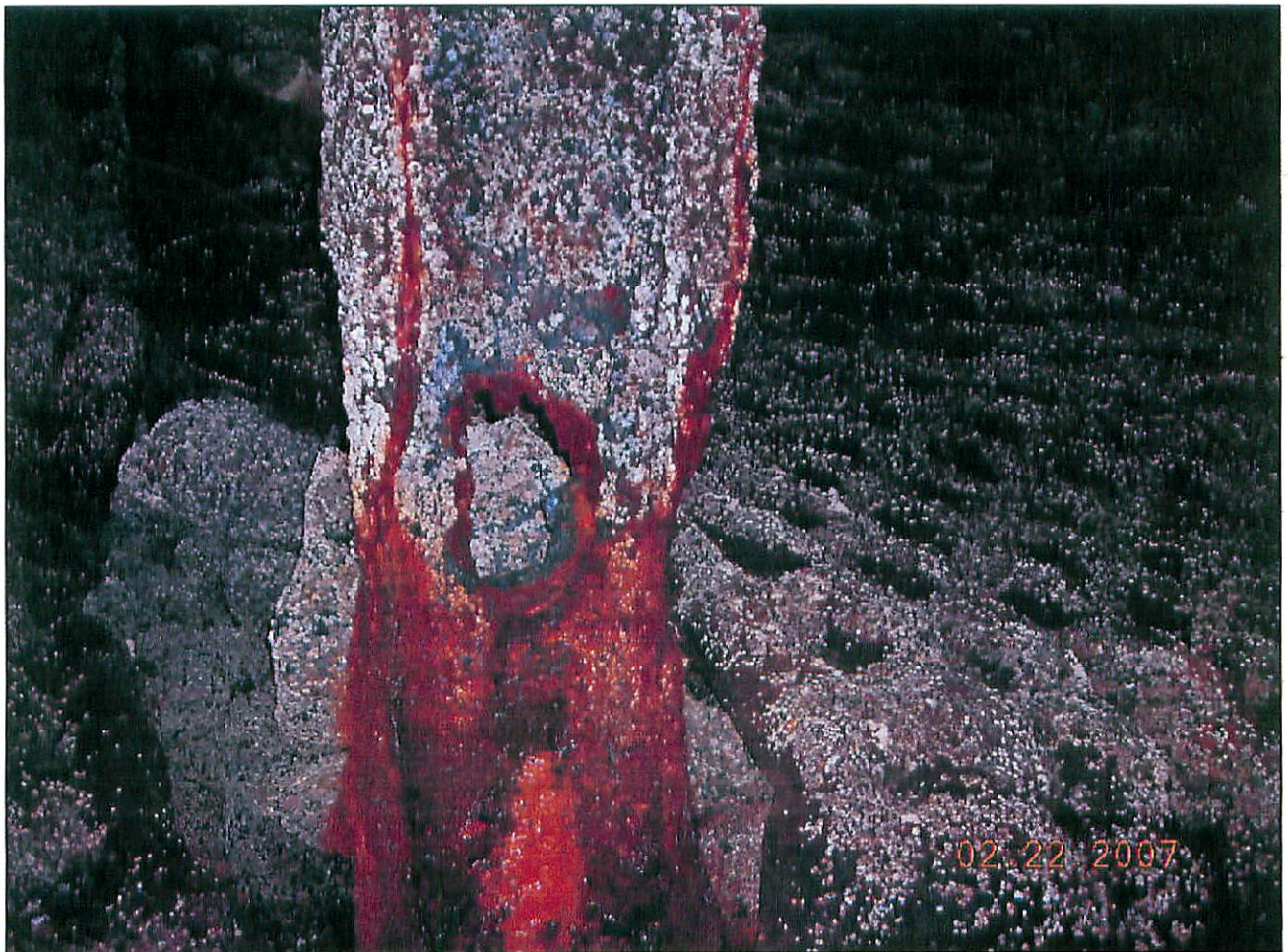
THE COMMUNITY OF KETCHIKAN



(Continued from page 15)

wharfage fee. As a result of debt service obligations and contractual leases for Berths III and IV, the Port of Ketchikan cannot forego assessing such fees. Consequently, the City of Ketchikan is seeking an appropriation of \$21,159,600 from unencumbered revenues of either the Commercial Passenger Tax Account or the Regional Cruise Ship Impact Fund to finance the cost of replacing Berths I and II. Alternatively, annual appropriations to fund the debt service associated with a thirty-year revenue bond to fund the cost of replacing the berths would be acceptable.







City of Ketchikan
1000 1st St. S.
Ketchikan, Alaska 99901
Tel: 907.225.1111
Fax: 907.225.1112





April 25, 2008

The Honorable Sarah Palin
Governor of the State of Alaska
PO Box 110001
Juneau, Alaska 99811-0001

Dear Governor Palin:

I am writing this letter to encourage your favorable consideration of the various capital projects for the City of Ketchikan that are funded in the FY '09 capital budget approved by the Legislature.

I know that, as a former mayor, you appreciate the significance of well-conceived capital projects for their positive impacts on the quality of life in the community.

Projects specific to the City of Ketchikan approved by the Legislature include:

- City of Ketchikan Fire Station No. 1 Replacement Project: \$5,328,216
- City of Ketchikan – Ketchikan General Hospital Surgical Suite Expansion: \$4,400,000
- City of Ketchikan – Port of Ketchikan Berths I and II Replacement Projects: \$3,000,000
- Knudson Cove Harbor Reconstruction: \$350,000
- City of Ketchikan – Design of Baranof Water Reservoir Replacement: \$150,000

I also want to note our support for two projects, which, while technically not City of Ketchikan projects, have received substantial financial contributions from the City due to the importance they play in helping the community in its economic recovery after the loss of the timber industry.

- Alaska Industrial Development and Export Authority – Ketchikan Shipyard Power Generation & Infrastructure Improvements: \$3,000,000
- Oceans Alaska – Shellfish Industry Training Center: \$1,000,000

Needless to say, the City also supports appropriations approved for other local governments and organizations.

I want to briefly emphasize a couple of important points.

1. Extensive local public process: We had an extensive public process at the local level to determine our capital project priority requests that we forwarded to our legislators. We held a number of public meetings at which citizens of Ketchikan were given the opportunity to review and suggest projects. There was significant local participation.

From there the list of potential capital project requests was then forwarded to the City Council for its consideration and approval. In sum, all of our project requests, including those which were

funded, went through a public process and eventual consideration and prioritization by local government. In fact, all major appropriations approved by the Legislature for City of Ketchikan-specific projects were in the top 6 priorities for entire community, i.e., after consideration of projects submitted by other local governments and organizations.

2. Significant local funding: The three major City projects in the approved capital budget involve a significant level of local funding. The City anticipates fully matching the \$5.3 million in state funds appropriated to replace our 66-year-old central fire station. The City anticipates significant local funds being used to match \$4.4 million in state funds for the proposed surgery suite at Ketchikan General Hospital that will replace the existing 42-year-old surgery area; in the first two phases of the master plan we have financed in excess of \$21 million for capital improvements to the City-owned facility. The \$3 million appropriation for the Port of Ketchikan is designated for an estimated \$20 million project to replace old cruise ship berths in Ketchikan. The City has already expended or committed \$4.2 million in local funding for this project; we have also recently completed a \$38 million port improvement project that was 100% locally financed. In sum, I believe that the City is stepping up to the plate with our own funds to commit to these projects.

In closing I would like to thank you for your hard work on behalf of the entire State of Alaska. I hope that as you review the capital projects for the City of Ketchikan you will agree that the projects all serve a public purpose and that they are critical infrastructure projects which are deserving of state financial participation.

Thank you for your consideration. If you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Bob Weinstein".

Bob Weinstein
Mayor

cc: Karen Rehfeld, Director of OMB
Senator Bert Stedman
Representative Kyle Johansen



KETCHIKAN GATEWAY BOROUGH

344 FRONT STREET • KETCHIKAN, ALASKA 99901

OFFICE OF THE BOROUGH MANAGER

April 24, 2008

The Honorable Sarah Palin
Governor
State of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

Re: Ketchikan-Area Projects in the FY 2009 State Capital Budget

Dear Governor Palin:

As you review Ketchikan-area projects in the State Capital Budget, please keep in mind the following:

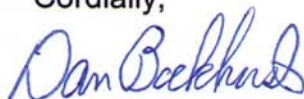
1. Ketchikan projects underwent a careful local review: For 30 years, it has been the custom in Ketchikan that proposals for legislative funding of projects must undergo a rigorous local review. For FY 2009, a coalition of more than 25 local organizations including the Ketchikan Gateway Borough, City of Ketchikan, City of Saxman, and others such as the Planning Commission, School Board, Native organizations, Chamber of Commerce, and seniors met on five occasions to review and ultimately endorse the projects proposed for funding through the FY 2009 State Capital Budget.
2. Ketchikan projects were also subject to independent review at the State level: Ketchikan projects included in the FY 2009 State Capital Budget have been independently reviewed by State officials. For example, funding for major maintenance on the Schoenbar School was ranked by the Alaska Department of Education and Early Development as the most needy major maintenance school project in all of Alaska. In every case, Senator Stedman and Representative Johansen endorsed the projects included in the FY 2009 Capital Budget only after they independently determined that the projects served a vital public purpose.
3. Ketchikan projects focus on critical needs, particularly with respect to education, health, public safety, and economic development: Ketchikan projects included in the State Capital Budget relate to essential public services or to efforts to rebuild an economy that was dealt a terrible blow with the significant decline of the timber industry. In most cases, the tie between each capital project and core

services or economic development is evident (e.g., fire stations, school projects, shipyard development, and hospital expansion). In a few cases, the link may be less evident to those not well acquainted with the proposal. For example, the Capital Budget includes funds to complete the Fawn Mountain sports field. That facility adjoins our Fawn Mountain School and serves the physical education needs of students in the Ketchikan Gateway Borough School District. It also promotes general health among other users of the facility.

4. Ketchikan has committed local funds to proposed capital projects: Ketchikan has committed a significant level of local funding for projects included in the State Capital Budget. Additionally, as you weigh the level of local support for projects in the Capital Budget, please consider the fiscal burden already in place on the taxpayers of Ketchikan. For example, the cost of unfunded-State mandates imposed on the Ketchikan Gateway Borough government will amount to nearly \$11 million in FY 2009 (details are available upon request).
5. While the Legislature has been generous in terms of capital funding for FY 2009, it certainly has not been irresponsible: Many capital project needs in the Ketchikan were deferred during the lean years that Alaska faced since the mid-1980s. This year, however, the resources of the Alaska state government allow a responsible effort to address those deferred capital needs. While the Capital Budget amounts to some \$3 billion, the Legislature has also managed to save \$5 billion. In your State-of-the-State Address in January of this year, you emphasized the importance of sharing the State's wealth with communities. In the context of deferred capital needs and the \$5 billion in savings for FY 2009, the Capital Budget is a responsible action by the Legislature.

If you desire clarification of any of the points raised above, or if you would like additional information concerning any Ketchikan area project included in the FY 2009 State Capital Budget, please feel free to contact me.

Cordially,



Dan Bockhorst
Borough Manager

cc: Karen Rehfeld, Director, Office of Management and Budget
The Honorable Bert Stedman, State Senator, District A
The Honorable Kyle Johansen, State Representative, District 1